Strategic and Competitive Analysis of easyJet

Posted on September 22, 2018

Executive Summary

Easy Jet Airline Company is a British company that aims to operate as a low-cost carrier both for national and international customers. It wants to make quality services affordable for any customer. It faces intense competition and needs to focus on enhancing its current strategies to increase its profits.

Introduction And Overview

Easy Jet Airline Company is the second principal low-cost transporter in Europe (Williams and Baláž, 2009). It was established by the British entrepreneur Sir Stelios Haji-Ioannou. It is a limited company that was established in 1995(“easyJet,” n.d.). It is headquartered in Luton Airport and serves Europe, North Africa, and West Asia. It has a very low fare and strives to maintain the low costs. This is part of its marketing strategy to gain access to more and more customers by keeping the fare low. The company claims to reach 6 million passengers a month throughout Europe. Its target market consists of people who finance themselves and do not get financed by their companies. Leisure travellers are also its customers that make little trips. It also sells tickets online and makes the passengers more comfortable by providing them with speedy boarding. It follows a point-to-point strategy and assists its passengers in not having the connection flights. This not only saves passenger’s time but also saves the environment by reducing gas emissions. Moreover, it has also services based on the same principle of low cost. This includes a car service, Easy Car, along with easyHotel and EasyBus. It has the vision to make flights as affordable as a pair of jeans. This report will analyse its aeroplane sector as a strategic business unit and will evaluate its strategies in this regard.

Business Strategy

Business strategy can be developed by external and internal analysis of the company.

External Analysis Of The Industry

Porter Five Forces framework

Porter’s five forces framework will analyse easyJet Airline Company with respect to industry.

The threat of new entrants

EasyJet has a low threat of new entries owing to serving in the low-cost market. There are extremely high startup costs associated with this business, which is making the threat of new entrants low(Barros and Couto, 2013). There are strict regulations, and airport taxes are high. Also, after entering into the industry, it has to face a price war. As a result, profits will decline. The threat of new entrants increases in the case of a company that already possesses equipment and knowledge and still wants to enter the low-cost market.

The power of suppliers

The power of suppliers is high for easyJet as there are only two suppliers in the industry: Boeing and Airbus (Palepu and Healy, 2007). This can be low if the company purchases several planes at the same point in time. There is also the high power of oil suppliers for easyJet. There is another supplier for the company, which is airports. When the company uses the airports, it also pays taxes, which are usually very high.

The power of buyers

It is a fact that Easy Jet is not only a single company that operates at a low cost. It is very easy for its customers to select another airline and avail themselves of the service. It has developed many strategies to reduce this power and to make the customers loyal to the company. For this company, it has introduced its booking services on the website, which is increasing the number of passengers extremely high. There are also different allied services for customers that aim to increase customer loyalty. Its prices are low, and this makes it easy to switch to other competitors.

Threat of substitution

EasyJet operates in an industry that has high costs associated with it. Due to this fact, the threat of substitutes is high for the company. People may prefer to travel by some other means that would cost them low prices. There can be an efficient electronic train system that can replace EasyJet services. But this is only a threat to short routes. For the long routes, this threat is lower as trains cannot be used as a replacement for the customers for the long routes in an economical way. Customers also feel comfortable using the airline for long routes and do not go for any other option that decreases their comfort.

Competitive rivalry

There is a high risk of competitive rivalry due to operations in the low-cost market. There are a limited number of companies that operate in low-cost marketing, and this is also a factor in the increase in competition. Due to the low prices, customers can switch to any other company, and thus, companies are facing intense rivalry. Its competitors are both direct and indirect. In the category of direct competitors, there are low-cost companies that have the same product with the same assortment of prices. The competition among these companies is very intense, and each company is trying to gain dominance in the market. Easy Jet is competing with these companies by focusing on the two segments, which include business travellers and people who travel for leisure. Other companies are only covering one segment. There is also competition for availing the services of main airports. The other type of competition, known as indirect competition, covers those segments which have people who are interested in having cheap flights. In the list of indirect competitors, there are also substitutes such as trains.

Internal Analysis Of The Firm

Different models can be used for the company's internal analysis. An activity system can be used involving the value chain, and there are also generic strategies that will provide the analysis of the firm.

Value chain analysis:

Easyjet is operating as a low-cost company and is thus facing severe competition. Its business process consists of activities that put value on the company's products as well as services. This is known as the value chain model. With the efficient management of this value chain, the company enjoys competitive advantages over its other competitors. This not only improves the quality of its products and services but also lessens the risk of substitutions of products. The value chain of easyJet has two sorts of activities. These include primary and support activities.

Primary Activities:

EasyJet focuses on the primary activities, which are the company's main concern. The company's objective is to have operational effectiveness in the use of these activities. Included in the primary activities are inbound logistics, outbound logistics, marketing and sales, and operations. Inbound logistics management includes activities that consist of receiving materials and resources, storing them, and distributing rights related to the products and services. Within the distribution rights, there are material handling rights along with warehousing and stock management. Within the inbound logistics, easyJet purchases routes and fuels. It has to make the route efficiently operate,d and for this purpose, it has to make their availability timely. There is a need to confirm that the crew is always consigning correctly. There is also the purchase and management of fuel for the company, and in this regard, it is facing intense competition and high pressure from these sellers. The other reason for competition here is the fluctuations in the prices of petrol. These fluctuations also have a direct impact on EasyJet. It is still not self-sufficient in the fuel area, and the effect of price fluctuations on fuel impacts negativity over the profit of the company.

The operations category includes flight scheduling and management. It works on the point-to-point strategy and makes those flights available to customers, helping them reach their destination directly. In this way, passengers do not need to have the connecting flights. It is also using this as a strategy to gain a competitive advantage. In the context of its outbound logistics, it operates effectively at the customer service level. The aim is to provide quality services with their availability at the same time in an economical way at a low cost.

With the airline services, it also provides a car service known as Easy Car. The other areas of operations include easyHotel and EasyBus. Customers make long-term purchases of cars and avail themselves of these rental services. Luxury car services are also available at the customer's request to the company. In this area, the company also has a large number of target markets. It serves the market with a huge number of customers as there is a huge range of prices available that can be taken by a large number of customers. The marketing activities are carried out by easyJet in order to attract buyers, make sales, and earn profits by ensuring that buyers purchase products. These marketing activities consist of making the services available to the consumers and determining the price strategies, such as low-cost leadership strategies. There are also promotional activities in this marketing strategy. Now, technology has been used in the selling and distribution of products that include the booking of tickets, rental cars, and many other services. The use of technology significantly reduces costs for both the customers and the company.

Services are also part of primary activities, which include those activities that are used to add value to the product or assist the customer and provide him with repair and installation plans. This also takes into account in-service training and the implementation of new technology, such as the advancement of equipment used in flying. These services aim to increase service standards and use them as a source of competitive advantage in the airline industry.

Support activities include management of the differentiation strategy in order to gain a competitive advantage. The firm infrastructure is also part of its support activities. Fiscal policy development can be included in the management of firm infrastructure. The human resource department is also included in the firm's infrastructure, and its effective management has contributed to the company's progress. There is intense competition with the use of technology in different functions of the airline company. In order to survive in this competition, there is a need for the implementation of technology in different functional areas of the company. Currently, it is using technology while making reservations, and online ticketing along with the flight scheduling system is now available. Now, e-procurement is also used to make purchasing cost-effective. This strategy is also used to achieve the price goals. Adopting more and more IT systems has enabled organizations to shift towards paperless organizations. This provides efficiency and flexibility in the operations of the company. Procurement activities are carried out as support activities that are that are the achievement of inputs or assets.

Generic Strategies

The other approach to analyze the company internally is to analyze it with the help of generic strategies. It is the more effective method as it allows companies to accomplish their long-term goals with the help of these generic strategies. It is possible to either follow only a single generic strategy or use a combination of strategies. These include cost leadership, differentiation, and segmentation strategy. Using these strategies, companies successfully compete in the market.

Cost leadership

Easy Jet is pursuing a low-cost strategy and is earning profits as a result of this strategy. For this purpose, there is the use of several methods that make the services available to customers at a low rate, such as the use of technology to sell the services or tickets. In order to save costs, the company uses airports with low tax rates.

Differentiation

The company can only survive in the competitive environment if it pursues a differentiation strategy. Innovation is the key to pursuing this strategy. Easyjet has also used this strategy by keeping its fare low and different in range from that of its competitors. There is a use of premium prices for a separate group of customers and low prices for another group of customers (Barros and Peypoch, 2009). Another differentiated feature of the company is the selling of e-tickets. This facilitates the customer and saves the costs on the customer’s part. He also gets the facility to get an update regarding his reservation. He can check the prices before purchasing and can compare them with other prices prevailing in the market.

Segmentation strategy

Easy Jet is still focused on the European market and is not going towards the Asian markets. These are still untapped markets for the company. This is because the company uses a low-cost strategy, and it is not possible to compete with a large number of competitors in more than one market. This is because each market has its own demands.

Ethical Assessment Of Strategy

All the company's strategies are ethical and are in the best interests of the customers. It is pursuing the low-cost strategy, that is, for the welfare of individual customers who are not sponsored by their companies or middle-class families. The other strategy for the welfare of the customers is to not use connecting flights. This saves them time and benefits the environment and economy by consuming less fuel. There is also the use of technology to ensure customers' ease of buying. Customers get the option of making a comparison of prices and then making purchases.

Evaluation Of Strategy

Strategies can be evaluated both in short-term and long-term contexts. The evaluation of strategy is thus a complex process. Different models can be used to evaluate strategies. All the models use different criteria for the purpose of emulation. With the use of these models, one can assess the need for a change of strategy for the purpose of making improvements as well as making adjustments to the changing outside and inside environment. Richard Rumelts has four criteria for the purpose of evaluation. These include consistency, consonance, feasibility, and advantages.

Consistency: There must be consistency in the strategy with respect to goals and policies. And no goals or policies get inconsistent.

Consonance: The strategy should have an adaptive retort to the outside environment, and significant changes must happen inside it.

Advantage: The strategy must give for the conception or upholding of a competitive advantage in the chosen region of action.

Feasibility: The strategy must neither work too hard to access capital nor lead to the devolvement of unsolvable sub-glitches.

Another model can be used to evaluate the strategies. This is known as Johnson et al., and according to this, there are three criteria that can be used for the purpose of evaluation. These are suitable, acceptable, and feasible. The safe acronym is used for this purpose. Strategy evaluation is a complex process, and its evaluation can be carried out using these three criteria that allow credible results for companies.

Suitability: It refers to the adaptability to the current and expected external environment.

Feasibility: It is the assessment of whether the organization has the resources to pursue the strategic choices.

Acceptability: It focuses on the financial and stakeholder aspects when evaluating strategic choices.

Conclusion And Recommendation

Easy Jet is the second largest company after RyanAir, and it is a leader in the airline industry. Easy Jet enjoys a good reputation in the market due to its strategies that are for the benefit of mankind. It has a huge customer base due to the affordability of its products and services and also the maintenance of the quality of the services by the company. However, it is also facing severe competition in the industry as there are many companies that are operating and offering their services at low costs. The number of competitors is huge number due to the nature of having both direct and indirect competitors. In order to sustain itself in the market and work better in the industry, the company is using more than one strategy at a time. This allows the company to face the competition effectively.

Although it is working in the best way in its industry, there are some recommendations for further improvements. These, if followed, will allow the company to enjoy progress on a long-term basis. The company currently uses technology in most of its functions, such as selling, purchasing, and other management functions. There is a need to use technology to connect with the customers. This will provide the company with direct feedback and will be able to improve its services and face the competition effectively. Also, it is operating in other areas, such as cars and hotels. There is a need to focus more on these areas in order to gain profits from those areas. This will also assist in increasing the customer base of loyal customers and those who are purchasing more than one service or product at a single point in time. It will also assist the company in extending its markets and entering into saturated markets using different strategies.

It is currently working on saving the environment and fulfilling its corporate social responsibility. However, it should go beyond serving customers to their direct destination. It is recommended that the company go towards green marketing. It will further enhance the company's image as a socially responsible company. There is also a need to add more strategies for the preservation of the environment. It must work towards reuse, reduce, and recycle in order to preserve the environment from company activities. It can also face the competition in its industry easily by making alliances. It is also required to work more towards employee progress and enhancement. There is also a need to focus towards the marketing area. Huge advertising must be used in order to reach each customer of the targeted group. The use of technology or the use of social media will provide benefits in this regard.

References

Barros, C.P. and Peypoch, N., 2009. An evaluation of European airlines' operational performance. *International Journal of Production Economics*, *122*(2), pp.525-533.

Barros, C.P. and Couto, E., 2013. Productivity analysis of European airlines, 2000–2011. *Journal of Air Transport Management*, *31*, pp.11-13.

("easyJet," n.d.) easyJet [WWW Document], n.d. URL https://www.easyjet.com/en

Palepu, K.G. and Healy, P.M., 2007. *Business analysis and valuation*. Cengage Learning EMEA.

Tanwar, R., 2013. Porter's generic competitive strategies. *Journal of Business and Management*, *15*(1), pp.11-17.

Williams, A.M. and Baláž, V., 2009. Low-cost carriers, economies of flows and regional externalities. *Regional Studies*, *43*(5), pp.677-691.